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Order 2001-12-16

Served: December 26, 2001



**UNITED STATES OF AMERICA
DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY
WASHINGTON, D.C.**

Issued by the Department of Transportation
on the 19th day of December, 2001

Essential Air Service at

**CHATHAM, ALASKA
FUNTER BAY, ALASKA**

under 49 U.S.C. 41731, *et seq.*

DOCKET OST-1997-3134- 3

**ORDER TENTATIVELY SELECTING CARRIER
AND SETTING SUBSIDY RATE**

Summary

By this order, the Department is tentatively reselecting Ward Air, Inc., to provide essential air service at Chatham and Funter Bay, Alaska, for the two-year period from December 1, 2001, through November 30, 2003, at an annual subsidy of \$10,258.¹

Background

By Order 99-10-10, October 12, 1999, the Department last selected Ward Air to provide essential air service at Chatham and Funter Bay, Alaska, through November 30, 2001. Ward Air was selected to provide service to Juneau consisting of one round trip a week routed Juneau-Funter Bay-Juneau (one flight each month would also make a stop at Chatham), with Cessna 185 aircraft, at an annual subsidy rate of \$9,420.

As is our normal custom when nearing the end of a carrier's rate term, we contact the carrier to determine whether it is interested in continuing service at the community and whether it will continue to require subsidy. If the carrier wishes to continue service with subsidy, we usually negotiate a new subsidy rate with the carrier, issue an order tentatively reselecting the carrier for a new two-year rate term at the agreed rate, and direct other parties to show cause why we should not finalize our tentative decision. Other carriers wishing to submit competing proposals are invited to do so in response to the show-cause order. If any such proposals are filed, we process them as a competitive case. Consistent with this practice, we invited Ward Air to submit a proposal for continuation of essential air service at Chatham and Funter Bay.

¹ See Appendix A for a map of the Chatham and Funter Bay area.

Carrier Proposal

Ward Air submitted a proposal to provide essential air service at Chatham and Funter Bay for a new two-year rate term. The carrier proposes to continue to provide the community with its historical service of one round trip each week routed Juneau-Funter Bay-Juneau, with one flight each month also making a stop at Chatham, with Cessna 185 aircraft. Ward Air has agreed to an annual subsidy of \$10,258 for this service.

Tentative Reselection

Ward Air continues to provide Chatham and Funter Bay with reliable essential air service and we find that both the service and subsidy levels are reasonable. In view of this, we will tentatively reselect Ward Air to provide service to Chatham and Funter Bay for an additional two-year period beginning December 1, 2001, and ending November 30, 2003. As set forth in Appendix B, service is to be provided with Cessna 185 aircraft at an annual subsidy of \$10,258.

Responses to Tentative Decision and Competing Proposals

We will give interested persons 20 days from the date of service of this order to show cause why we should not make final our tentative decision to reselect Ward Air to provide essential air service at Chatham and Funter Bay, at the service and subsidy level discussed above. We expect persons objecting to our tentative decision to support their objections with relevant and material facts. We will not entertain general, vague or unsupported objections.

Carriers interested in filing competing proposals, with or without subsidy requests, should file them within the 20-day period set for objections. At the end of that period, our staff will docket any competing proposals, thereby making them public, and direct each applicant to serve a copy of its proposal on the civic parties and other applicants. We will give full consideration to all proposals that are timely filed.

Competing proposals may contemplate service to Juneau or any other appropriate hub city. Service should consist of at least the level discussed above. In order to help carriers in their passenger and revenue forecasts, we have included historical O & D traffic data in Appendix D.

Procedures for Filing Replacement Proposals

For interested carriers unfamiliar with our procedures and recommended form for supplying the necessary information, we have prepared two explanatory documents that we will make available upon request. The first describes the process for handling carrier replacement cases under 49 U.S.C. 41734(f), and discusses in detail the process of requesting proposals, conducting reviews of applicants, and selecting a replacement carrier. The second is an evidence request containing an explanatory statement, a copy of Part 204 of our regulations (14 CFR 204), and schedules setting forth our recommended form for submitting data required for calculating compensation and determining the financial and operational ability of applicants to provide reliable essential air service. (Section 204.4 describes the fitness information required of all applicants for authority to

provide essential air service.) Applicant carriers that have already submitted this information in another case need only resubmit it if a substantial change has occurred. However, if there are more recent data or if there have been any changes to the information on file, carriers should provide updates of those information elements. Interested carriers that need to obtain copies of these documents may contact the Office of Aviation Analysis at (202) 366-1053.

Other Carrier Requirements

The Department is responsible for implementing various Federal statutes governing lobbying activities, drug-free workplaces, and nondiscrimination.² Consequently, all carriers receiving Federal subsidy to support essential air service must certify that they are in compliance with Department regulations regarding drug-free workplaces and nondiscrimination, and those carriers whose subsidies exceed \$100,000 over the life of the rate term must also certify that they are in compliance with the regulations governing lobbying activities. All carriers that plan to submit proposals involving subsidy should submit the required certifications along with their proposals. Interested carriers requiring more detailed information regarding these requirements as well as copies of the certifications should contact the Office of Aviation Analysis at (202) 366-1053. The Department is prohibited from paying subsidy to carriers that do not submit these documents.

Community and State Comments

If we receive competing proposals, the community and state are welcome to submit comments on the proposals at any time. Early in the proceeding, comments on the proposals' strengths and weaknesses would be particularly helpful, and the civic parties may also express a preference for a particular carrier, if they choose. In any event, after conducting rate conferences with all applicants, we will provide a summary of the conference results to the civic parties and ask them to file their final comments.³

Carrier Fitness

49 U.S.C. 41737(b) and 41738 require that we find an air carrier fit, willing and able to provide reliable service before we may compensate it for essential air service. Ward Air is an air taxi operator and has operated successfully for a number of years.

² The regulations applicable to each of these three areas are (1) 49 CFR Part 20, New Restrictions of Lobbying, implementing title 31, United States Code, section 1352, entitled "Limitation on use of appropriated funds to influence certain Federal contracting and financial transactions"; (2) 49 CFR Part 29, Subpart F, Drug-Free Workplace Requirements (Grants), implementing the Drug-Free Workplace Act of 1988; and (3) 49 CFR Part 21, Nondiscrimination in Federally-Assisted Programs of the Department of Transportation -- Effectuation of Title VI of the Civil Rights Act of 1964; 49 CFR Part 27, Nondiscrimination on the Basis of Handicap in Programs and Activities Receiving or Benefiting from Federal Financial Assistance; and 14 CFR Part 382, Nondiscrimination on the Basis of Handicap in Air Travel.

³ In cases where a carrier proposes to provide essential air service without subsidy and we determine that service can be reliably provided without such compensation, we do not normally hold rate conferences. Instead, we rely on the carrier's subsidy-free service as proposed.

We last reviewed the fitness of Ward Air when we selected it to provide essential air service at Chatham and Funter Bay in Order 99-10-10. Ward Air remains subject to the Department's continuing fitness monitoring. No information has come to our attention that would lead us to conclude that Ward Air does not continue to be fit. The Federal Aviation Administration states that it knows of no reason to question Ward Air's fitness. We therefore conclude that the carrier remains fit to conduct the operations proposed here.

This order is issued under authority delegated in 49 CFR 1.56a(f).

ACCORDINGLY,

1. We tentatively reselect Ward Air, Inc., to provide essential air service at Chatham and Funter Bay, Alaska, as described in Appendix B, for the period beginning December 1, 2001, through November 30, 2003;
2. We tentatively set the final rate of compensation for Ward Air, Inc., for the provision of essential air service at Chatham and Funter Bay, Alaska, as described in Appendix B, for the period from December 1, 2001, through November 30, 2003, payable as follows: for each month during which essential air service is provided, the amount of compensation shall be subject to the weekly ceiling set forth in Appendix B, and shall be determined by multiplying the subsidy-eligible arrivals and departures completed during the month by \$80.14;⁴
3. We direct Ward Air, Inc., to retain all books, records, and other source and summary documentation to support claims for payment, and to preserve and maintain such documentation in a manner that readily permits its audit and examination by representatives of the Department. Such documentation shall be retained for seven years or until the Department indicates that the records may be destroyed. Copies of flight logs for aircraft sold or disposed of must be retained. The carrier may forfeit its compensation for any claim that is not supported under the terms of this order;
4. We find that Ward Air, Inc., continues to be fit, willing and able to provide the limited scheduled air service proposed here and is capable of providing reliable essential air service at Chatham and Funter Bay, Alaska;
5. We direct interested parties having objections to the selection of Ward Air, Inc., to provide essential air service as described in ordering paragraph 1 above, at the rate set forth in ordering paragraph 2 above, to file such objections or competing service proposals no later than 20 days from the date of service of this order;⁵

⁴ See Appendix C for the calculation of Ward Air's annual subsidy rate, which assumes the use of the aircraft designated. If the carrier reports a significant number of aircraft substitutions, revision of this rate may be required.

⁵ Objections should be filed with the Documentary Services Division, SVC-121.30, Room PL401, Department of Transportation, 400 7th Street, S.W., Washington, DC 20590. Proposals to provide essential air service should be filed with the Chief, EAS & Domestic Analysis Division, X-53, Office of Aviation

6. If we receive objections or competing proposals within the 20-day period, Ward Air, Inc., will be compensated at the subsidy rate set forth in ordering paragraph 2 above as a final rate, effective December 1, 2001, until all objections are resolved;
7. We will afford full consideration to the matters and issues raised in any timely and properly filed objections and service proposals before we take further action.⁶ If no objections or competing service proposals are filed, all further procedural steps will be deemed waived and this order shall become effective on the twenty-first day after its service date;
8. Docket OST 1997-3134 shall remain open until further order of the Department; and
9. We will serve copies of this order on the civic officials of Chatham and Funter Bay, the Alaska State Department of Transportation and Public Facilities, the Governor of Alaska, Ward Air, and the parties listed in Appendix E.

By:

READ C. VAN DE WATER
Assistant Secretary for Aviation
and International Affairs

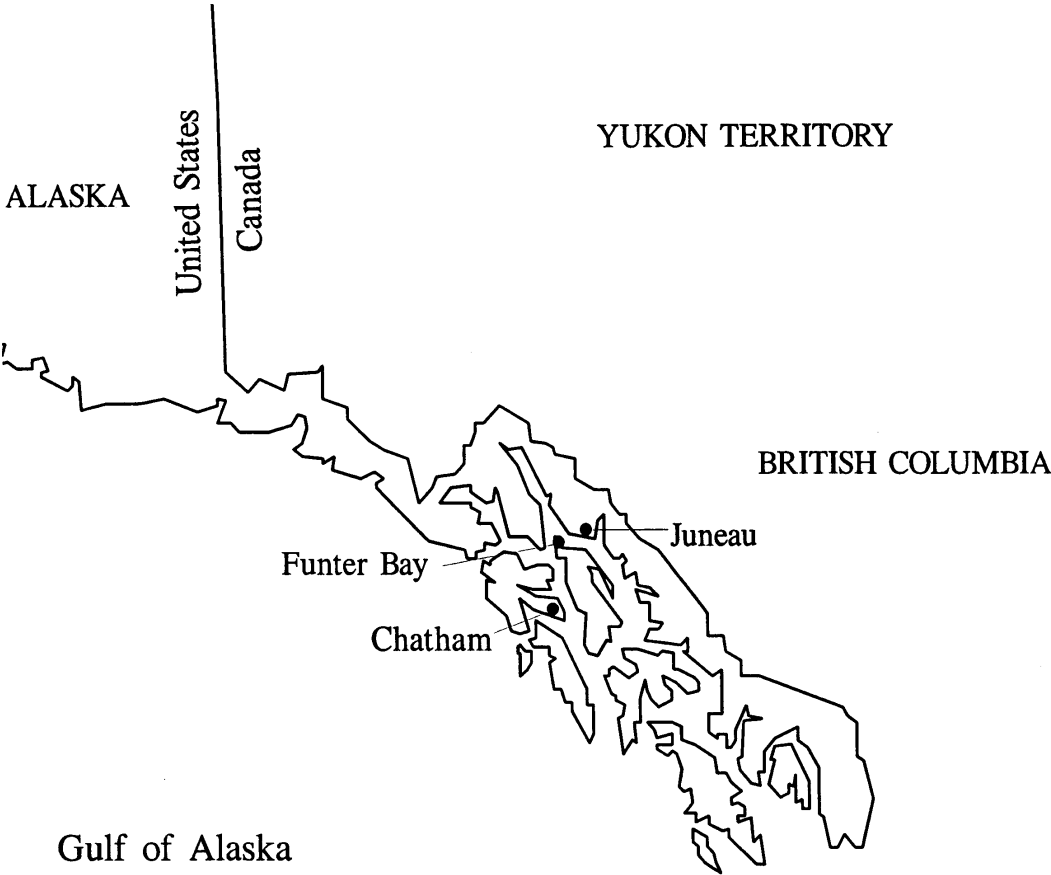
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*An electronic version of this document is available on the World Wide Web at
<http://dms.dot.gov>*

Analysis, Room 6401, Department of Transportation, at the same address. Questions regarding filings in response to this order may be directed to John McCamant at (202) 366-1060.

⁶ Since we are providing for the filing of objections to this order, we will not entertain petitions for reconsideration.

CHATHAM AND FUNTER BAY AREA MAP



**WARD AIR, INC.
ESSENTIAL AIR SERVICE TO BE PROVIDED AT
CHATHAM AND FUNTER BAY, ALASKA**

Effective Period: December 1, 2001, through November 30, 2003

Service: One round trip each week routed Juneau-Funter Bay-Juneau. One of these flights each month will also make a stop at Chatham

Aircraft: Cessna 185

Subsidy Rate: Per year - \$10,258
Per arrival from or departure to Juneau - \$80.14 ¹

Weekly
Compensation Ceiling \$961.68 ²

¹ Annual compensation of \$10,258, divided by 128 annual arrivals and departures (104 at Funter Bay and 24 at Chatham).

² Calendar weeks that fall into separate calendar months will be treated as part of the latter month for the purpose of calculating both calendar weeks per month and the monthly compensation. For this reason, some months may have as many as five round trip flights. The monthly compensation ceiling is calculated using five flights with one of these flights making a stop at Chatham: (subsidy rate for each arrival/departure (\$80.14) multiplied by the maximum number of scheduled subsidy-eligible arrivals and departures per month (12)).

WARD AIR, INC.
SUBSIDY CALCULATION FOR SERVICE AT
CHATHAM AND FUNTER BAY, ALASKA

Block Hours: 38 1/

Routing: Juneau-Funter Bay-Juneau (40 round trips per year)
 Juneau-Funter Bay-Chatham-Juneau (12 round trips per year)

Aircraft type: Cessna 185

Revenue

| | <u>Passengers</u> | <u>Fare</u> | |
|------------------|---------------------|-----------------|------------|
| Funter Bay | 48 | \$ 45 | \$2,160 |
| Chatham | 3 | \$ 81 | <u>243</u> |
| Total Pass. Rev. | | | \$ 2,403 |
| | <u>Cargo (lbs.)</u> | <u>Rate/lb.</u> | |
| Funter Bay | 580 | \$.20 | \$ 116 |
| Chatham | 100 | \$.35 | <u>35</u> |
| Total Cargo Rev. | | | \$ 151 |
| Total Revenue | | | \$ 2,554 |

Direct Expense

| | <u>Rate/BL</u> | |
|----------------------|----------------|------------|
| Pilot | \$71.85 | \$ 2,730 |
| Fuel & Oil | \$42.08 | 1,599 |
| Insurance | \$55.00 | 2,090 |
| Maintenance | \$48.42 | 1,840 |
| Depreciation | \$13.26 | <u>504</u> |
| Total Direct Expense | | \$ 8,763 |

Indirect Expense

| | | |
|------------------------|---------|--------------|
| Hangar | \$38.00 | \$1,444 |
| Overhead | \$52.50 | <u>1,995</u> |
| Total Indirect Expense | | \$ 3,439 |

| | |
|-------------------------------|------------|
| Total Operating Cost | \$12,202 |
| Profit Element (5% of T.O.C.) | <u>610</u> |

Total Economic Cost \$ 12,812

Compensation Requirement \$10,258

1/ Block hours calculated as follows:

JNU-FNR-JNU = .5 block hours x 40 = 20 block hours per year

JNU-FNR-CYM-JNU = 1.5 block hours x 12 = 18 block hours per year

**CHATHAM AND FUNTER BAY, ALASKA
HISTORICAL O & D TRAFFIC**

| | <u>Psgrs.</u> | <u>Cargo (lbs.)</u> | <u>Mail (lbs.)</u> |
|---------------------|---------------|---------------------|--------------------|
| <u>YE Dec. 1999</u> | | | |
| Chatham | 14 | 132 | 1,166 |
| Funter Bay | 38 | 811 | 2,087 |
| <u>YE Dec. 2000</u> | | | |
| Chatham | 8 | 514 | 830 |
| Funter Bay | 58 | 199 | 1,928 |
| <u>YE June 2001</u> | | | |
| Chatham | 5 | 514 | 339 |
| Funter Bay | 51 | 70 | 1,826 |

SERVICE LIST FOR THE STATE OF ALASKA

| | | |
|-----------------------------------|-------------------------------------|-----------------------------------|
| Aaron Air | Hageland Aviation Services, Inc. | Scenic Mountain Air, Inc. |
| Aero Tech Flight Service, Inc. | Haines Airways, Inc. | Seaside Air Service |
| Air Excursions | Heli-Lift, Inc. | Security Aviation, Inc. |
| Air Lift Alaska | Homer Air | Seward Flying Service, Inc. |
| Air Madura | Hudson Air Service, Inc. | Silver Bay Logging, Inc. |
| Alaska Airlines, Inc. | Iliamna Air Taxi, Inc. | Skagway Air Service, Inc. |
| Alaska Bush Carrier, Inc. | Island Air Service | Soloy Helicopters, Inc. |
| Alaska Central Express, Inc. | Island Wings Air Service | Southcentral Air, Inc. |
| Alaska Coastal Airlines, Inc. | Jim Air, Inc. | Specialized Air Service |
| Alaska Fly'N Fish Charters | K2 Aviation | Spermak Airways |
| Alaska Flyers | Kachemak Air Service, Inc. | Sunrise Aviation, Inc. |
| Alaska Helicopters, Inc. | Kachemak Bay Flying Service, Inc. | Tamarack Air, Ltd. |
| Alaska Island Air, Inc. | Katmai Air | Tanana Air Service |
| Alaska Seair Adventures | Kenai Air Alaska, Inc. | Taquan Air Service, Inc. |
| Alaska West Air, Inc. | Kenai Fjords Outfitters, Inc. | Tatonduk Outfitters, Inc. |
| Aleutian Air, Ltd. | Kenair | Temsko Helicopters, Inc. |
| Aleutian Specialty Aviation | Ketchikan Air Service, Inc. | Totem Air |
| Allegheny Commuter airlines, Inc. | Ketchum Air Service, Inc. | Trans-Alaska Helicopters, Inc. |
| Amerijet International, Inc. | Kodiak Air Service | Trans-Porter Alaska, Inc. |
| Arctic Air Alaska, Inc. | Koyukon Air, Inc. | Tundra Copters, Inc. |
| Arctic Circle Air Service, Inc. | Kupreanof Flying Service | Umiat Enterprises, Inc. |
| Baker Aviation, Inc. | Kusko Aviation, Inc. | Uyak Air Service |
| Bellair, inc. | L.A.B. Flying Service, Inc. | Vemair |
| Beluga Lake Float Plane Service | Larry's Flying Service, Inc. | Warbelow's Air Ventures, Inc. |
| Bering Air, Inc. | Loken Aviation, Inc. | Ward Air |
| Bran-Air & Branham Adventures | Lone Star Airlines, Inc. | Wings of Alaska |
| Camai Air | Lone Wolf Aero Services, Inc. | Woods Air Service, Inc. |
| Canning Air Service | Maritime Helicopters, Inc. | Wrangell Mountain Air, Inc. |
| Cape Smythe Air Service, Inc. | Mark Air, Inc. | Wright Air Service, Inc. |
| Cassaron Turbo Helicopters | Metroflight, Inc. | Yukon Helicopters |
| Chugiak Aviation | Midway Airlines, Inc. | Yutana Airlines, Inc. |
| Clearwater Air, Inc. | Midwest Express Airlines, Inc. | Yute Air Alaska, Inc. |
| Coastal Helicopters, Inc. | Misty Fjords Air & Outfitting | |
| Cordova Air Service, Inc. | Mountain Aviation | |
| CPA Air Service | Mountain Helicopters | Alaska Juneau Aeronautics, Inc. |
| Customized Alaskan Adventures | Nash West Aviation, Ltd. | Ken Bannon |
| Delta Connection | Natron Air | E. B. Freeman |
| Denali air | Nordic Air | A. Edward Jenner |
| Egli Air Haul, Inc. | North Star Air Cargo, Inc. | John McFarlane |
| Ellis Air Taxi, Inc. | Northern Air Cargo, Inc. | Kevin Thomas |
| Ellison Air, Inc. | Northwest Airlink | Pat Dempsey |
| ERA Aviation, Inc. | Olson Air Service, Inc. | P. Richard Steinman III |
| F.S. Air Service, Inc. | Pacific Wing, Inc. | |
| Fishing and Flying | Peninsula Airways, Inc. | |
| Fiskehawk Aero Service | Precision Valley Aviation, Inc. | |
| Forty (40)-Mile Air, Ltd. | Promech, Inc. | |
| Frontier Flying Service, Inc. | Ram Air, Inc. | |
| Golden Plover Air | Ray Atkins Registered Guide | |
| Grant Aviation, Inc. | Rediske Air, Inc. | |
| Great Northern Air Guides | Reeve Aleutian Airways, Inc. | |
| Gulf Air Taxi, Inc. | Regal Air | |
| Gulf Aviation, Inc. | Reid Air | |
| Gulkana Air Service, Inc. | Rust's Flying Service, Inc. | |
| | Ryan Air Service, Inc. | |